

Message Text

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DRAFTED BY ARA/CTF;WDOZIER:MES
APPROVED BY ARA:RGARELLANO
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SUBJECT: CARIBBEAN GROUP - SUBGROUP FOR GUYANA

REF: GEORGETOWN 318

1. WORLD BANK OFFICIALS (GONZALEZ-COFINO AND KANCHUGER) MET WITH DEPUTY ASSISTANT SECRETARY ARELLANO ON JANUARY 27, AT THEIR REQUEST, TO DISCUSS POSSIBLE FORMATION OF A COUNTRY GROUP FOR GUYANA. GONZALEZ-COFINO SAID THAT IN A DISCUSSION AT THE BANK ON THE PREVIOUS DAY, LED BY VICE PRESIDENT KRIEGER, IT HAD BEEN DECIDED NOT REPEAT NOT TO ATTEMPT TO FORM A GROUP FOR GUYANA AS EARLY AS FEBRUARY. GUYANESE WILL BE TOLD (GOG REQUEST HAS NOT YET BEEN RECEIVED AT BANK ALTHOUGH THEY HAVE HEARD FROM A NUMBER OF SOURCES THAT IT IS ENROUTE) THAT NO USEFUL PURPOSE WOULD BE SERVED IN CONVENING
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A COUNTRY GROUP TO DISCUSS GUYANESE DEVELOPMENT BEFORE A STABILIZATION PROGRAM HAS BEEN WORKED OUT WITH THE IMF. WORLD BANK EXPERIENCE WITH CONSULTATIVE GROUPS HAS SHOWN VERY CLEARLY THAT THIS PRIOR STEP IS ESSENTIAL IF THE DEVELOPMENT GROUP IS TO BE SUCCESSFUL.

2.FYI. GONZALEZ-COFINO SAID THAT THE IMF IS FLATLY OPPOSED TO

MOVING AHEAD WITH THE COUNTRY GROUP AT THIS TIME. HE QUOTED IMF OFFICIALS AS SAYING THAT IF THE COUNTRY GROUP WERE FORMED AT THIS TIME, THE IMF WOULD NOT PARTICIPATE IN IT. IMF, HE SAID, HAS HEARD NOTHING FROM GOG SINCE ITS DISCUSSION WITH MINISTER OF FINANCE HOPE IN DECEMBER. WORLD BANK AND IMF OFFICIALS BELIEVE THAT GUYANA SEES THE EARLY FORMATION OF A COUNTRY GROUP PRIMARILY AS A MEANS OF INFLUENCING THE TERMS OF ITS EVENTUAL AGREEMENT WITH THE IMF. MOREOVER, THEY ARE CONCERNED THAT WITHOUT CAREFUL PREPARATION, THE GROUP MEETING COULD GET OUT OF HAND WITH THE GUYANESE PLACING SUCH "DIVISIVE" SUBJECTS AS DEBT RESCHEDULING ON THE AGENDA. END FYI.

3. GONZALEZ-COFINO SAID THAT SINCE THE BANK CANNOT BE RESPONSIVE TO THE GUYANESE REQUEST FOR THE EARLY FORMATION OF A COUNTRY GROUP, IT WISHES TO PUSH AHEAD IN CONSTRUCTING A FINANCIAL PACKAGE FOR GUYANA'S BLACK BUSH IRRIGATION PROJECT. THEY HAVE ALREADY RECEIVED THE PROMISE OF CONTRIBUTIONS FROM A NUMBER OF DONORS, INCLUDING IFAD AND OPEC FUND, FOR THIS \$43 MILLION PROJECT AND HAVE ASKED THE USG TO CONSIDER WHETHER IT COULD MAKE AN APPROPRIATE CONTRIBUTION. THE BANK IS PLACING HIGH PRIORITY ON THIS PROJECT, HOPING TO DEMONSTRATE THAT RAPID DONOR COORDINATION CAN BE ACHIEVED WITHIN THE NEW CARIBBEAN GROUP FRAMEWORK.

4. IN RESPONSE, ARELLANO SAID THAT USG FULLY SUPPORTED
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BANK'S POSITION AS DESCRIBED BY GONZALEZ-COFINO. WE AGREE THAT NOTHING SHOULD BE DONE TO UNDERMINE THE CURRENT IMF NEGOTIATIONS WITH THE GOVERNMENT OF GUYANA. HOWEVER, WE WOULD HOPE THAT PREPARATIONS FOR GUYANA COUNTRY GROUP COULD MOVE FORWARD AS SOON AS FEASIBLE, IN LIGHT OF THE UNDERSTANDING REACHED AT DECEMBER CONFERENCE THAT SUBGROUPS WOULD BE FORMED IN TIME TO BE CONSTITUTED AT THE MAY MEETING OF THE FULL GROUP. BANK OFFICIALS AGREED THAT THIS WAS THEIR OBJECTIVE AS WELL. RE POSSIBLE CONTRIBUTION TO BLACK BUSH PROJECT, ARELLANO SAID THAT MATTER WOULD BE GIVEN PROMPT CONSIDERATION WITHIN USG.

5. IN THESE CIRCUMSTANCES, YOU SHOULD OF COURSE BE CIRCUMSPECT IN ANY DISCUSSION WITH GUYANESE OFFICIALS ON THIS SUBJECT. IF ASKED, YOU COULD SAY THAT YOU UNDERSTAND THAT THE WORLD BANK IS PREPARING A RESPONSE TO THE GUYANESE REQUEST. WHILE THE USG SUPPORTS THE IDEA OF A COUNTRY GROUP FOR GUYANA, THE ROLE OF THE SPONSORING IFI'S IS TO PROVIDE ADVICE ON TIMING AND TO TAKE THE LEAD IN SETTING UP THE COUNTRY AND OTHER SUB-GROUPS. VANCE

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